



United States Department of Agriculture

Farm and Foreign Agricultural Services  
Risk Management Agency

October 1, 2003

**INFORMATIONAL MEMORANDUM**

TO: Reinsured Companies servicing the Pacific Northwest States

FROM: Dave P. Paul /s/ *Dave P. Paul*  
Director

SUBJECT: 2004 Regional Tolerance Guidelines for Idaho, Oregon and Washington Category C Perennial Crops (Apples, Blueberries, Cranberries, Grapes, Pears, Stonefruit, etc.)

ISSUE:

For 2004 the following Spokane Regional Office (SRO) Guidelines are issued to more accurately target perennial crop policies needing field inspections and to limit the number of field inspections to only those cases requiring further analysis and possible yield adjustment by the SRO.

Please note we have changed the format of this memo. Revisions compared to last year's document are shown as highlighted/shaded text for your convenience.

**General Requirements:**

- 1) When the policy triggers pre-acceptance field inspection selection criteria (tolerance guidelines) outlined in Section 7 F (2) in the 2004 Crop Insurance Handbook (CIH) requiring Regional Office (RO) yield determination, the following information, for all applicable units by practice, type and variety (P/T/V) must be acquired:
  - (a) Supporting documentation as outlined in Section 7 F (6): Actual Production History forms (FCI-19A, NCIS-765 or APH equivalent), hard copy records of acreage and production, Producer's Pre-acceptance Worksheet(s), Applicable Crop Addendum Worksheet(s), Block Production Worksheet(s), Unit Summary Worksheet(s), and if applicable, RMA RO Determined Yield Request(s).
  - (b) A current perennial crop inspection (five years old or less) as outlined in the chart shown in Section 7 F (1) (C). If the current inspection on file is greater than five years old (inspections for the 1998 crop year and prior), or a current copy cannot be obtained from the ceding company/FSA office, the units(s) in question must be field inspected for 2004. Please note the requirement for a new inspection when the insured answers 'YES' to question 22 contained on the Producer's Pre-Acceptance Worksheet.



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**Yield Limitations (cups) / Sixty percent (60%) T-Yields in Reference to 3) and 4) below:**

- 2) Yield limitations (cups) [Section 7(J)(6)], and Sixty percent (60%) T-yields [Section (13(D)(7)] generally do not apply to units (by P/T/V) in special cases referred to the Risk Management Agency RO for yield determination, including those cases waived for company approval. Cases identified in Section 7(F)(2)(b)(2) and submitted to the RO as a request for higher yield may be eligible for Sixty percent (60%) T-yields if qualified and elected by the insured, as determined by the RO. However, all other Crop Insurance Handbook procedures apply.

**Yield Variance Exceptions:**

- 3) In accordance with yield variance tolerance guidelines contained in Section 7 F (2) (b) 1 of the CIH; if the policy contains unit(s) by P/T/V which exhibit the high variability of actual yields, the following conditions apply:

Perform a tolerance trip test using the unadjusted APH average yield of Block 11 on the APH form for each policy unit. When the most recent crop year's average yield (2003) is equal to or greater than 125 percent of the APH average yield AND the previous crop year's average yield (2002) is less than or equal to 75 percent of the APH average yield, use the following formula to calculate the determined yield:

- (a) Multiply the average yield of the most recent four years in the database by 0.5;
- (b) Multiply the average yield of the two lowest yields in the most recent four years of the database by 0.5;
- (c) Sum the results of steps (a) and (b) for the company authorized approved yield.

**Yield Trend Exceptions:**

- 4) In accordance with trend tolerance guidelines contained in Section 7 F (2) (b) 2 of the CIH; if the policy contains unit(s) by P/T/V which exhibit a downward trend, the following conditions apply:

When the policy contains units(s) by P/T/V where the average yield of the most recent 3 years of actual yields is less than or equal to 75% of the APH average yield, use the following formula to calculate the determined yield.

- (a) Multiply the current average yield by 0.8;
- (b) The resulting product shall be the company authorized approved yield.

**Organic or Sustainable Practices (Pre -Acceptance Work Sheet Question #23 – Organic and Non-Conventional Practices)**

- 5) (a) Insurance providers are authorized to approve the average yield using standard Category C APH procedure for all units {identified in 7 F (2)(d)} grown with the sustainable production practice.
- (b) When the actuarial documents (or amendments) do not specifically provide rates and yields for the organic production practice, please forward all documents specified in 1)(a) to the RO in conjunction with a Written Agreement request.

**Utilization of Block Production Procedure:**

- 6) When block production records are used to calculate the approved yield for units meeting exceptions 3), 4) and 5)(a) above, use the corresponding yield determination formula for only those blocks meeting the applicable tolerance test.
- (a) Standard APH procedures apply to blocks not meeting applicable tolerance tests.
  - (b) Final approved APH yield is transferred from Unit Summary Worksheet (FCI-19-A-USW)

**Grapes Grown Under Tonnage Contracts**

- 7) When grape production is reduced under a tonnage contract, CIH Section 7(L)(7) specifies that the approved APH yields for such policies be adjusted. Please forward the items specified in 1)(a) of this memo and the tonnage contract(s) currently and previously in effect to the RO for yield establishment.

**WAIVER**

- Insurance providers are authorized to approve average yields for situations via guidelines outlined in parts 3), 4) and 5)(a) above.
- Insurance providers are authorized to approve the average yield, using standard Category C APH procedure for all other units exhibiting high variability of actual yields criteria identified in 7 F (2) (b) 1 of the CIH.
- The waiver is not applicable to policy units when answering either 'YES' to question 22 or 'NO' to question 24 of the Producer Pre-acceptance worksheet (FCI-12-PAW) or marking the RO Coverage Review on question 37 of the Pre-Acceptance Perennial Crop Inspection Report (FCI-12-P).

Any policy forwarded to the SRO must include supporting documentation as outlined under part 1) of the General Requirements above. If you have any questions or if we can be of any assistance, please do not hesitate to contact our office.